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BRITISH COLUMBIA

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January 31, 2005

To the Honourable,
The Legislative Assembly of the
Province of British Columbia
Victoria, British Columbia

Honourable Members:

I have the honour to present herewith the *Report* of the Select Standing Committee on Public Accounts.

The *Report* covers the work of the Committee from February 9, 2004 to January 31, 2005.

Respectfully submitted on behalf of the Committee.

Jenny Kwan, MLA
Chair

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COMPOSITION OF THE COMMITTEE

Members

Jenny Kwan, MLA	Chair	Vancouver-Mount Pleasant
Ken Johnston, MLA	Deputy Chair	Vancouver-Fraserview
Bill Belsey, MLA		North Coast
Bill Bennett, MLA		East Kootenay
Greg Halsey-Brandt, MLA		Richmond Centre
Arnie Hamilton, MLA		Esquimalt-Metchosin
Randy Hawes, MLA		Maple Ridge-Mission
Brian Kerr, MLA		Malahat-Juan de Fuca
Joy K. MacPhail, MLA		Vancouver-Hastings
Lorne Mayencourt, MLA		Vancouver-Burrard
John Nuraney, MLA (Member since October 25, 2004)		Burnaby-Willingdon
Val Roddick, MLA		Delta South
Lynn Stephens, MLA		Langley
Ralph Sultan, MLA		West Vancouver-Capilano
Hon. Patrick Wong, MLA (Member to October 25, 2004)		Vancouver-Kensington

Clerk to the Committee

Craig James, Clerk Assistant and Clerk of Committees

Committee Researchers

Josie Schofield, Research Analyst

Brant Felker, Committee Researcher (to December 31, 2004)

TERMS OF REFERENCE

On April 1, 2004, the Legislative Assembly agreed that:

1) the reports of the Auditor General of British Columbia deposited with the Speaker of the Legislative Assembly during the Fifth session of the Thirty-Seventh parliament be deemed referred to the Select Standing Committee on Public Accounts, with the exception of the report referred to in section 22 of the Auditor General Act which is referred to the Select Standing Committee on Finance and Government Services, and in addition that the following reports of the Auditor General of British Columbia be referred to the Select Standing Committee on Public Accounts::
   - Auditor General Report No. 4, 2003/2004 Alternative Payments to Physicians: A Program in Need of Change (November 2003)
   - Auditor General Report No. 5, 2003/2004 Monitoring the Government's Finances (December 2003)
   - Auditor General Report No. 6, 2003/2004 Audit of the Government's Review of Eligibility for Disability Assistance (February 2004)
   - First Follow-up Report on Managing Interface Fire Risks (June 2001)
   - First Follow-up Report on Transportation in Greater Vancouver: A Review of Agreements Between the Province and TransLink, and of TransLink's Governance Structure (August 2001)
2) That the Select Standing Committee on Public Accounts be the committee referred to in sections 2, 6, 7, 10, 13 and 14 of the Auditor General Act.

In addition to the powers previously conferred upon the Select Standing Committee on Public Accounts, the Committee be empowered:

(a) to appoint of their number, one or more subcommittees and to refer to such subcommittees any of the matters referred to the Committee;

(b) to sit during a period in which the House is adjourned, during the recess after prorogation until the next following Session and during any sitting of the House;

(c) to adjourn from place to place as may be convenient; and

(d) to retain personnel as required to assist the Committee,

and shall report to the House as soon as possible, or following any adjournment, or at the next following Session, as the case may be; to deposit the original of its reports with the Clerk of the Legislative Assembly during a period of adjournment and upon resumption of the sittings of the House, the Chair shall present all reports to the Legislative Assembly.

THE WORK OF THE COMMITTEE

The all-party Select Standing Committee on Public Accounts (the Committee) held four public meetings during the fifth session of the 37th Parliament. Two planning sessions also took place.

The first meeting was held on May 4, 2004, when the Chair and Deputy Chair were elected and the subcommittee on agenda and procedure was appointed. Members reviewed the Committee's terms of reference and a report on the status of Auditor General reports, including those carried over from the previous session.

On May 6, 2004, the Committee met with a delegation from the Parliament of Ireland to discuss matters of mutual interest. The visitors were three deputies from the Irish House of Representatives who serve on its Public Accounts Committee and the Clerk to the Committee.

During the summer, the 25th Annual Conference of the Canadian Council of Public Accounts Committee was held in Fredericton, New Brunswick. Both the Chair and Deputy Chair made presentations at the business sessions. The Clerk and committee research analyst also attended.

Unfortunately, on September 29, 2004, Arnie Hamilton, MLA, a committee member since 2002, sustained a serious injury. His presence and contribution to the Committee's work has been greatly missed by both Members and staff.

At three daylong meetings in the fall and winter, the Committee reviewed seven main reports relating to the financial, health, social services and natural resources sectors of government. Members also considered three follow-up reports and endorsed the Auditor General's financial statement audit coverage plan, as well as the Public Documents Committee's resolutions for the retention and disposal of government records.

By the end of the fifth session, however, the Committee had not conducted reviews on the following reports tabled by the Auditor General during the past year:

- Auditor General Report No. 7, 2003/2004 *Building Better Reports: Our Review of the 2002/03 Annual Service Plan Reports of Government* (March 2004).
- Government of BC and Office of the Auditor General Report *An Assurance Program for BC: A Progress Report on the February 2002 Recommendations of the Public Accounts Committee of BC Related to Building Better Reports* (September 2004).
- Auditor General Report No. 6, 2004/2005 *Leading the Way: Adopting Best Practices in Government Financial Reporting – 2003/2004* (November 2004).
- Auditor General Report No. 7, 2004/2005 *Monitoring the Government's Finances* (November 2004).
- Auditor General Report No. 8, 2004/2005 *Follow-up of 2002/2003 Report 5: Managing Contaminated Sites on Provincial Lands* (November 2004).
- Auditor General Report No. 9, 2004/2005 *Follow-up of Two Health Risk Reports* (December 2004).

- Auditor General Report No. 10, 2004/2005, *Building a Strong Public Service: Reassessing the Quality of the Work Environment in British Columbia's Public Service* (February 2005).

Copies of Auditor General reports are available at: http://bcauditor.com/AuditorGeneral.htm.

Minutes and transcripts of committee meetings and the reports of the Public Accounts Committee are available on the Legislative Assembly's web site at: www.leg.bc.ca/cmt/.

AUDITOR GENERAL REPORT NO. 4, 2003/2004

Alternative Payments to Physicians: A Program in Need of Change

The Public Accounts Committee met on February 9, 2004 to consider the Auditor General's report on the Ministry of Health Services' alternative payments program for physicians. It heard presentations by the Office of the Auditor General and the Ministry of Health Services.

Background

Summary of Report

The report reviews the alternative payments program, which began operations in 1968. The Ministry of Health Services uses the program as an alternative mechanism to the traditional fee-for-service model. The program compensates physicians for their services through three main approaches: service contracts, sessional agreements and salary agreements.

The Office of the Auditor General reviewed the program at the request of the ministry, due to concerns about its annual cost ($300-plus million) and the well-known difficulties related to its operations. The main purpose of the review was to assess the adequacy of the program's management and accountability practices.

The report identifies four external factors that affect how the program is managed. It shows how the availability of physicians affects program use; how the complexity of negotiating physician compensation creates challenges for the ministry; how accountability for physician services is difficult to achieve; and how the growth potential of the program for improved services and accountability has attracted significant ministry interest.

Using a performance management framework, the review team found that there were significant management issues to address in the areas of strategic alignment with ministry direction, program operations and results-focused program performance. As a result, the program could not demonstrate accountability for results.

The report concludes that the program needs to be better managed and more accountable in its use of taxpayers' money. It contains 24 specific recommendations for improving the alternative payments program's objectives and strategies, operations and performance.

Summary of Ministry's Response

The Ministry of Health Services accepted all the report's suggestions to improve the internal management of the program and by the time of the committee inquiry, it had made some progress in implementing them. However, the Deputy Minister informed the Committee that from the ministry's perspective, the report does not give adequate recognition to the dynamics of the external environment the program operates in. In particular, it downplays the challenges posed by physician autonomy and by the constraints of the collective agreements with the British Columbia Medical Association, which govern all types of physician compensation.

Committee Inquiry

The committee inquiry took place on February 9, 2004, shortly after the settlement of the dispute with physicians working in the emergency ward of the Nanaimo General Hospital. The doctors had withdrawn their services as a result of the breakdown of talks over the terms of a proposed service contract. Within this context, much of the discussion between committee members and the witnesses focused on the general issue of physician compensation.

In regard to the alternative payments program (APP), the focus of the committee inquiry was on the limited scope of the review and the challenges of implementing the recommendations. Individual committee members also asked about similar programs in other jurisdictions; salary agreements; the prospect of regional APP budgets; the collection of patient information; the 1999 ministry document, *Conditions of Funding*; and reductions in program staff.

Scope of Review

Some committee members wondered why the Auditor General looked at the alternative payments program in isolation from the Medical Service Plan, and asked when his office plans to assess the fee-for-service program, given the dollar size and significance of that program.

In response, the Auditor General reiterated the reasons for focusing on a review of the alternative payments program. First, the ministry spends a significant amount of money each year on the program. Secondly, the difficulties with the program were well known prior to the conduct of the review; and lastly, the ministry had asked his office to conduct the examination. The Auditor General also reported that a review of the existing fee-for-service arrangements is on his office's radar screen but not in its immediate work plan.

Other Members were also disappointed with the limited scope of the report. They commented on the omission of the compensation framework for lab services; the lack of "tangible advice" regarding the pilot compensation schemes that are under way and the resources allocated to walk-in clinics; and the report's failure "to go that extra step" in terms of specifying how to make the best use of the program and even how to expand it.

Implementation Challenges

Another concern of the Committee was whether the report's recommendations were achievable, given their business-oriented tone and the fact that physicians are independent contractors who are unlikely to accept unilateral decisions by the ministry. In response, the Auditor General explained that phrases like "business objectives, business programming, business plans" are simply labels for the necessary ingredients to a well-run program, and that the report recognizes that successful implementation will require all the key stakeholders to work together.

The Deputy Minister informed the Committee that the ministry did not foresee any difficulty in implementing the report's "pragmatic business recommendations" to improve the internal management of the alternative payments program. From her perspective, though, broader changes were needed in the larger context, particularly in the component of the health culture that stresses physician autonomy, and in the dynamics that are embedded in the ministry's various collective agreements with the British Columbia Medical Association.

Committee Recommendation

The Committee endorses the 24 recommendations of the Auditor General's 4th Report for 2003/04, *Alternative Payments to Physicians: A Program in Need of Change*, and recommends the same to the Legislative Assembly.

Other Matters

Correspondence Re Nanaimo Doctors' Dispute

Following the meeting on February 9, 2004, the Committee received correspondence related to the Nanaimo doctors' dispute on an intermittent basis from late February through to September. At the January 31, 2005 meeting, the Public Accounts Committee asked the Deputy Minister of Health Services to respond to the matters raised in the correspondence.

AUDITOR GENERAL REPORT NO. 5, 2003/2004

Monitoring the Government's Finances

The Public Accounts Committee met on February 9, 2004 to consider the Auditor General's report on monitoring the government's finances. It heard presentations by the Office of the Auditor General and the Ministry of Finance.

Background

Summary of Report

The Auditor General reports each year on the province's financial condition to assist legislators and the public to assess the performance of government. The purpose of the report under review is to encourage the government to provide in its annual public accounts an easy-to-understand and complete commentary on relevant and important financial trends and ratios that help legislators and the public assess for themselves the government's financial condition.

The report was prepared using key financial reporting principles, such as completeness, relevance, significance and understandability of financial information. Its financial information framework therefore included schools, universities, colleges and hospitals — the SUCH sector — and also provided more information on business enterprises than was available in the government's summary financial statements. The framework also included the type of analysis of financial trends proposed by the Public Sector Accounting Board.

The project team analyzed trends in the BC government's summary financial statements over a seven-year period, from 1997 to 2003. The key findings of the analysis were:

- Provincial revenues grew by 20 percent between 1997 and 2003.
- Government spending increased by almost 30 percent over the seven-year period.
- There had been annual deficits between 1997 and 1999 and in 2002 and 2003.
- From 1997 to 2003, the government's total assets grew by 13 percent.
- Overall liabilities increased over the seven years, almost entirely due to the rise in public debt; and the net liabilities (net debt) owed for each person in B.C. also rose.

The project team also used seven indicators of government financial condition, developed by the Canadian Institute of Chartered Accountants (CICA), to measure the BC government's sustainability, flexibility and vulnerability.

Part 2 of the report focuses on how the financial performance of the province compared overall to other Canadian jurisdictions, by looking at the changing trends in three main indicators. The key findings were that the province's GDP per capita was lower than the Canadian average; that the ratio of net liabilities to GDP had been somewhat stable in B.C. over the past seven years; and that the province's credit rating was the second highest among the ten provinces.

The report contains two recommendations. The first recommends that the government include a discussion and analysis of its finances in its public accounts similar to that found in the report. The second recommends that government use the CICA indicators of financial

condition, and other important financial and economic measures, in its discussion and analysis to inform the legislators and the public of the state of the government's finances.

Summary of Government's Response

In its written response, the Ministry of Finance reported on the progress government has made in summary budgeting and explanatory reporting. It pointed out that much of the data included in the report's financial framework was already available in the budget documents and public accounts, and that the public has access via the Internet to the analyses in the *Financial and Economic Review*. The ministry also stressed that relative to other provinces, BC's financial reporting is timely and very complete.

As well, the government had changed its budget and quarterly report format in 2003/04 to conform to generally accepted accounting principles (GAAP) and to create greater consistency between the budget and public accounts presentations, as recommended in last year's report. Furthermore, legislation requires the government to be compliant with GAAP by 2004/05, when the SUCH sector would be fully included into its budget and reporting entity. Achieving this goal was a top priority for the ministry. Following the introduction of GAAP, the ministry would turn its attention to incorporating financial statement discussion and analysis into the province's public accounts.

Regarding the report's two recommendations, the ministry pointed out that there was no agreed upon guidance provided by the accounting profession in regard to explanatory commentary provided by governments with their audited financial statements. As well, the CICA indicators recommended by the Auditor General are not in general use, partly because of concerns over their reliability as measures, and so comparable provincial data is difficult to obtain.

Committee Inquiry

After hearing from the witnesses, the committee inquiry focused on the following topics: the status of the provincial Warehousing Borrowing Program, the comparability of British Columbia's own financial data and the feasibility of implementing the recommendations. Individual committee members also asked about the change in per-capita expense in the enterprises category (exhibit 8); the impact of legislated GAAP on the size of the debt-equity ratio; the reporting of foreign exchange gains; and the accounting methods of school districts.

Warehouse Borrowing Program

The Committee asked about the status of the provincial Warehouse Borrowing Program, a tool used by the provincial treasury to mitigate the risks associated with borrowing money. The program involves borrowing money in advance of when the funds are actually required.

To clear up the confusion over whether the program still existed, the Chair quoted from the section on page 32 of the report explaining why total debt increased so little in 2003 compared to the size of the annual deficit. The reason "is that the government funded its operations by drawing down $1.1 billion in 'warehoused' funds it had borrowed in previous years." In response, the senior principal in charge of the project team stated that such funds are included in the province's total debt in the year the money is borrowed, not in the year they are used.

In a follow-up letter to the Committee, the Comptroller General confirmed that the program is still very active throughout the year. He explained that because of the prescribed dates for the release of the budget and the public accounts, and the predictability of fixed election dates, the province has eliminated a lot of uncertainty from the perspective of investors and therefore eliminated a significant amount of liquidity risk. Nonetheless, the program does continue to add value in allowing the province to manage its borrowing with a greater sensitivity to market influences and borrowing trends, and with greater flexibility to the borrowing needs of clients within the government reporting entity.

Comparability of BC Financial Data

The Committee inquired whether the various seven-year charts used in the report were actually comparing "apples with apples," and whether the Office of the Auditor General had retroactively adjusted the government's annual financial statements to incorporate the changes in accounting policies. The Auditor General responded that this was the case.

In a follow-up question, a committee member asked about the format of the upcoming budget. The Comptroller General reported that the 2004/05 estimates would present financial information on both the existing reporting entity and the new government reporting entity so that legislators can determine what the impact of GAAP is. In addition, the ministry plans to put restated data on the SUCH sector in future budgets to establish a historical trend.

Implementation Challenges

Another inquiry focused on the Finance ministry's comments that it might be difficult to follow through with the report's recommendations. In response, the Comptroller General said that in the long term the government would be adopting the Auditor General's two recommendations, once agreement is reached on how to treat government business enterprises in financial statements.

Committee Recommendation

The Committee endorses the two recommendations of the Auditor General's 5th Report for 2003/04, *Monitoring the Government's Finances*, and recommends the same to the Legislative Assembly.

AUDITOR GENERAL REPORT NO. 6, 2003/2004

Audit of the Government's Review of Eligibility for Disability Assistance

The Public Accounts Committee met on October 20, 2004 to consider the Auditor General's report on the government's review of eligibility for disability assistance. It heard presentations by the Office of the Auditor General and the Ministry of Human Resources.

Background

Summary of Report

The provincial disability benefits program provides financial assistance to persons with certain severe mental or physical impairments and is administered by the Ministry of Human Resources. The legislative framework for the program changed with the passage of the *Employment and Assistance for Persons with Disabilities Act*, which received royal assent on May 29, 2002 and came fully into force on September 30 of that year. The new Act requires the ministry to conduct a review once every five years to ensure that individuals receiving disability assistance meet the initial and continuing eligibility criteria. The ministry conducted the first review between June 2002 and June 2003. Phase 1 involved an internal review of the files of all 61,932 clients (70 percent confirmed eligible based on medical evidence); phase 2 focused on requesting additional medical information from 18,705 clients and then adjudicating the returned application forms.

The Office of the Auditor General decided to audit the government's review for two reasons: first, there was considerable public concern about the type of review process undertaken by the ministry and second, the disability benefits program was relatively costly ($435 million in 2002/03) and impacts many vulnerable people.

The purpose of the audit was to determine whether the ministry's review process was well thought out, well managed and achieved the review's objective to ensure that only those eligible for disability benefits would receive them. The field work involved extensive consultations with ministry officials, particularly in regard to what evidence existed to support the expectation that there would be 6,000 to 9,000 people ineligible for disability benefits, and what analysis was carried out on the other types of eligibility reviews that were considered.

The report's general findings were that the type of review process chosen was not well thought out. The process was a fast-track one that could have been less costly, and it increased anxiety in a particularly vulnerable group of people. In addition, the type of review chosen was based on the faulty premise that considerable cost savings would be realized and that many people receiving benefits should not be eligible. The audit team also found that the ministry did not cost out either its planned review approach or alternative approaches for confirming eligibility. However, once the type of review was chosen, the ministry managed the work adequately and used sound and impartial methods to assess the eligibility of individual recipients.

The report does not include any specific recommendations and so no follow-up of the one-time audit is planned. However, it concludes with a request that when government initiates a similar project in the future, it set out clear objectives for the work right from the start.

evaluate the risks before deciding how and when to do the work and plan to evaluate whether the objectives were achieved once the review is completed.

Summary of Ministry's Response

In its written response, the Ministry of Human Resources stated that the approach it developed to conduct its review of eligibility for disability assistance was sensitive to clients and consistent with the ministry's principles and legislative requirements. Furthermore, the outcome of the review assures the public that disability assistance is provided only to eligible clients.

The ministry also responded to several of the report's findings, such as the claims that it moved too quickly to fulfil the legal requirement of the new Act to assess eligibility and that it did not fully investigate other options for confirming eligibility. However, it accepted the report's conclusion and made a commitment to incorporate into future practice the report's findings and comments on the government's review of eligibility for disability assistance.

At the committee meeting, the Deputy Minister of Human Resources elaborated on the steps the ministry will take in the future. She stated that the ministry will establish a process for future eligibility assessments that would set out clear program objectives for the ongoing review of clients with disabilities; carry out a risk assessment before decisions are made about how and when the work should be done; consider the costs and benefits of each option and evaluate how options will affect clients; and would establish an evaluation framework for any future review.

Committee Inquiry

After hearing from the witnesses, the committee inquiry focused on the following topics: the changes in the caseload, the audit's general findings and the ministry's approach to the review. Individual committee members also asked about the changes to the application form; the annual financial eligibility review; and the reasons for rescinding the disability designation. A request was also made for statistical information on the number and cost of appeals since 1996 and the number of new applicants since the fall of 2002.

Caseload Changes

Members were struck by the doubling of the disability caseload between 1996 and 2001 and asked for an explanation of the causes. In her response, the Deputy Minister of Human Resources attributed part of the growth rate to the fact that an assessor could be a family friend under the old legislation, whereas the new Act now requires a health professional to do the adjudication. Another reason, suggested by a committee member, was the recognition of a mental disorder as a criterion for eligibility.

In reply to another question about the increasing program costs between 2000 and 2004, the Assistant Deputy Minister in the ministry's policy and research division explained that the 50 percent increase was largely due to inappropriate criteria, a poorly defined application form and an imperfect adjudication process. He also noted that the growth rate fell very quickly with the introduction of the new criteria in 2002, a decline anticipated by the ministry.

Audit Findings

The Committee was surprised to learn that the outcome of the ministry's review was that only 400 clients were initially found ineligible, representing less than 1 percent of the caseload. Apart from being a costly exercise ($5 million) that did not achieve the expected savings, committee members expressed a concern about the non-financial consequences in the form of the upset and turmoil created in the disabled community. In her response, the Deputy Minister of Human Resources attributed some of the client anxiety to news media coverage of a leaked internal document in the fall of 2002 projecting that as many as 9,000 people would lose their disability benefits.

On a related matter, the Auditor General was asked whether the audit team had done an analysis of the costs involved in extending the time frame for phase 2 of the ministry's review. The committee member who posed this question did not accept the audit's finding that the ministry review could have been less costly. He pointed out that the analysis of the completed forms would cost the same whether the analysis was compressed or stretched out over a period of time.

Ministry Approach

Members were also curious as to why the ministry had decided against conducting a statistical sample to determine the proportion of ineligible recipients among the 18,705 people who did not have adequate medical information. They learned that the ministry had considered six options for phase 2 of the review. However the legal advice it received indicated that a statistical sample would violate the principle of administrative fairness. The ministry was required to use the same application form and assessment process to acquire additional information for existing clients and new applicants to ensure equal treatment. In addition, a survey to determine ineligibility risk would have required statistically valid sample size of 1,000 clients — an assumption that was subsequently challenged by one committee member.

This response prompted a follow-up question from the Chair asking whether there was a legal opinion concerning the administrative fairness of the ministry's decision to exempt the 5,600 clients with mental illness from phase 2 of the disabilities review. The Deputy Minister reported that the ministry had not received any written legal advice suggesting the decision was unfair. She explained that the decision to extend the eligibility designation was made following the receipt of 900 completed forms from mentally ill recipients, all confirming their eligibility status.

Committee Recommendation

The Committee endorses the conclusion of the Auditor General's 6th Report for 2003/04, *Audit of the Government's Review of Eligibility for Disability Assistance*, and recommends the same to the Legislative Assembly.

AUDITOR GENERAL REPORT NO. 2, 2004/2005

In Sickness and in Health: Healthy Workplaces for BC's Health Care Workers

The Public Accounts Committee met on November 22, 2004 to consider the Auditor General's report on the province's health care work environment. It heard presentations by the Office of the Auditor General and the Ministry of Health Services.

Background

Summary of Report

The report points out that the health care work environment is a difficult and stressful one not only in British Columbia but also across the country. It also shows that there are significant costs associated with unhealthy workplaces. In 2000, for example, one estimate suggested that as much as $1 billion was spent in the province's health care system on the direct and indirect costs of employee injuries, illnesses, absenteeism and lost productivity caused by ill health.

The report identifies three main factors contributing to the health of a workplace: a safe physical environment, a healthy psychological and social environment, and promotion of a healthy life style for employees. The audit team considered these attributes when assessing how well the six health authorities in the province were managing to create a healthy work environment for their employees. The field work was carried out from April 2003 to January 2004 and included focus groups and interviews with all employees, except for the physicians and contract personnel working in the health authorities and ministry staff.

The audit team concluded that the senior management of the province's health authorities needed to provide greater leadership and focus more attention on issues of workplace health. It found that some building blocks have been put in place for creating a healthy work environment, especially in the area of injury prevention, resulting in a decreasing rate of musculoskeletal injuries. However, those efforts were offset by an increase in long-term disability claims due to mental illness or emotional distress — mainly as a result of workplace stress created by restructuring and downsizing in the health sector.

The report contains 15 recommendations designed to enhance leadership and management capacity, to promote a healthy work environment for health care workers across the province, and to improve the systems for gathering and tracking data on the health of their workplaces.

Summary of Ministry's Response

The Deputy Minister of Health Services reported to the Committee that the ministry is taking the report's recommendations very seriously, partly because the cost of absenteeism and employee injuries is "very significant." In addition, the issue of workplace health fits into the ministry's health care goals, even though it has been a lower priority than clinical services, the focus of the reorganization in the health sector.

The Deputy Minister also stated that the ministry had probably gone too far in reducing administrative staffing in the regional health authorities, resulting in a span-of-control problem — too few front-line managers overseeing too many employees. From her perspective, there was a need to start reinvesting in strategic management, particularly at the grassroots level, to

obtain additional benefits in terms of a healthy work environment. As part of this year's performance agreements, senior management of the health authorities had already been asked to articulate in their budget and management plans what their approach was going to be towards reducing overtime and sick leave, two very important indicators of a healthy workplace. As well, the collective agreements negotiated in 2004 with doctors, nurses and other health care workers sought to align public priorities with what the staff needed to create a quality work environment. In the nurses' contract, for example, the ministry has agreed to work on increasing full-time positions, increasing flexible scheduling options, facilitating the recruitment and mentoring of new graduates, and offering a phased-in retirement program for older nurses.

The Deputy Minister also informed the Committee that the package of recommendations in the Auditor General's report would be very helpful in developing a cohesive approach among the six health authorities to improving workplace health — a key sustainability issue for the health sector in this province and across Canada.

Committee Inquiry

After hearing from the witnesses, the committee inquiry focused on the following topics: the usefulness of the report's recommendations, the focus of the ministry's response and the comparative ranking of B.C.'s track record regarding workplace safety.

Individual committee members also asked questions about the differences in injury rates and the relative safety of different workplaces; the report's definition of healthy lifestyles; Ontario's approach to absenteeism; the extent of cooperation re collective agreements; the cost of the audit; the follow-up process; and the costs of equipment improvement and mental health enhancement.

Report's Recommendations

Some committee members wondered how useful the report's recommendations were, describing them as "motherhood issues" that any organization committed to implementing best practices would be doing anyway. In her response, the Deputy Minister of Health Services explained that the biggest problem in the health sector is the lack of cohesiveness around issues such as workplace health. This fragmented approach arises from the culture of health care that did not perceive health as a business providing critical services to the public until recently. From her perspective, the Auditor General's report provides the ministry and the minister with a third-party articulation of what is important and what has to be done that will be very useful in developing a coherent approach to improving the province's health care work environment.

On a related matter, the Deputy Minister was asked about the limitations on what the health care system can actually do in terms of making stressful workplaces — like big hospitals and regional hospitals in rural areas — more pleasant places to work in. Her response focused on the need for a multi-pronged approach that involves informing new entrants that continuous change is part of the health care work environment, treating employees with respect and acknowledging their contribution to teamwork, and developing indicators to track whether progress is being made.

Focus of Ministry's Response

Other committee members noticed that the ministry's response focused on plans to assist administrators, nurses and paramedics and so did not seem to address the working conditions of support staff in the province's health care system. They learned from the Deputy Minister that the ministry's workplace health initiatives are designed to address the work environment for the whole continuum of staff — whether they are housekeepers, cleaners, kitchen workers or health professionals — combined with unique strategies for each staff group.

In response to a follow-up question, the Deputy Minister reported on the progress made to date by the health authorities in developing the five key indicators to assess how well they are doing in workplace health, and on the ministry's own balanced scorecard approach to indicators, which includes ones for workplace health.

Workplace Safety Ranking

Committee members were also interested in how British Columbia ranked vis-à-vis the rest of Canada in terms of workplace safety and work conditions in the health sector. They learned from the Deputy Minister that comparative data is compiled by federal government organizations. Her own assessment is that overall, British Columbia ranks in the middle in Canada-wide surveys.

Committee Recommendation

The Committee endorses the 15 recommendations of the Auditor General's 2nd Report for 2004/05, *In Sickness and in Health: Healthy Workplaces for British Columbia's Health Care Workers*, and recommends the same to the Legislative Assembly.

AUDITOR GENERAL REPORT NO. 3, 2004/2005

Preventing and Managing Diabetes in British Columbia

The Public Accounts Committee met on January 31, 2005 to consider the Auditor General's report on preventing and managing diabetes in British Columbia. It heard presentations by the Office of the Auditor General and the Ministry of Health Services.

Background

Summary of Report

Diabetes is a lifelong blood sugar disorder that can cause health complications and premature death. The report points out that this disease is a serious and growing problem in the province, qualifying as a "slow-motion epidemic" that is threatening lives of British Columbians and health care budgets. The provincial government is now spending over $750 million annually on hospital care, medical services and drugs for people with diabetes.

Currently 5.1 percent of the province's population has diabetes — a number that is expected to rise by 2 percent by 2010, due to the ageing population and the increasing rates of obesity and inactivity. The data also show that First Nations people and members of visible minorities have a higher prevalence of type 2 diabetes and now represent about 25 percent of the population.

The audit by the Office of the Auditor General was undertaken for three reasons: diabetes is often used as a test case for managing chronic diseases; the disease causes much suffering; and dealing with diabetes is a major cost driver for the health care system. A best-practices model was used to assess the province's efforts to prevent new cases of diabetes and to manage the health care of those already diagnosed with the disease. The audit was conducted between February 2003 and January 2004. It examined the roles played by the Ministry of Health Services and the six health authorities in the management and care of diabetes, focusing on the prevention and management of type 2 diabetes that affects 85 to 90 percent of cases.

The audit team concluded that the steps being taken in the province to prevent and manage diabetes are praiseworthy but inadequate to address the seriousness of the problem. Its findings show that there is a large gap between goals and actions. For example, although the regional health authorities have established projects to manage better the cases of diabetes already diagnosed, far too little is being done in the area of primary prevention to reduce the number of new cases developing. Furthermore, no major efforts are being undertaken to prevent those at highest risk of developing diabetes from going on to contract the full-blown disease.

The report contains three recommendations directed at the provincial government rather than the Ministry of Health Services or the health authorities. This departure from usual practice was done for three reasons: first, spending will have to increase if diabetes prevention is to be successful; second, most tools for primary prevention are controlled by ministries other than Health Services; and finally, diabetes is likely to increase even more unless significant interventions occur. The recommendations highlight the three key steps the provincial

government needs to take for choosing the best mix of diabetes prevention programs to fill the large gap between government's general policy goal and the programs in place.

Summary of Ministry's Response

The Ministry of Health Services responded on behalf of the provincial government. In its written response, the ministry welcomed the report as a way to help raise awareness of diabetes as a growing health problem and to draw attention to the social and health care changes needed to address diabetes. However, it points out that since the audit was completed in January 2004, the province has made significant progress in the prevention and management of diabetes in the province. In addition, the government already has an organized process to identify and implement well-supported strategies in the form of the expanded chronic care model, which uses an evidence-based approach and involves partnerships across the entire health care system.

At the committee meeting, the Deputy Minister of Health Services elaborated on the ministry's approach to preventing and managing diabetes. She reported that the province has opted to focus its prevention and management strategies on the five major risk factors of all chronic diseases, including diabetes. From the ministry's perspective, this is a more effective approach than developing an individual strategy for each disease, which would waste resources and time.

The Deputy Minister also updated the Committee on the initiatives taken in response to the Auditor General's report. These include the expansion of the chronic disease patient self-management program, which includes diabetes education centres as one component of the ministry's multi-pronged approach. As well, general practitioners (GPs) now receive a yearly bonus for each diabetes patient receiving care that is consistent with ministry guidelines. To provide change management support for GPs, there is a structured diabetes collaborative to provide them with the knowledge and tools; patient self-management coaching for GPs; clinical practice self-assessment training for GPs; integration of medical information technology at the point of patient care; and the award-winning electronic toolkit for physician-led teams.

The Deputy Minister reported that all these initiatives are starting to make a difference in diabetes care. However, from the ministry's perspective, management of diabetes and other chronic illnesses involves change across the whole health care system and requires alignment of policy, funding, information for supporting clinical decisions, prevention strategies, collective agreements, professional regulation, and access to self-management strategies for patients.

Committee Inquiry

After hearing from the witnesses, the committee inquiry focused on the following topics: the need for more diabetes education, the ministry's approach to the prevention and management of diabetes and the extent of medical coverage for diabetes patients. Individual committee members also asked questions about the diabetes education centres; the report's definition of secondary prevention; the yearly bonus for physicians; and the status of the diabetic clinic at Mount St. Joseph Hospital in Vancouver. Clarification was also sought on the reasons why the audit was undertaken and why the report's recommendations were directed at the cabinet.

Diabetes Education

There was general agreement among the committee members of the need for more diabetes education for the general public, as well as for people suffering from diabetes. In response, the Deputy Minister of Health Services stated that the ministry would like to have ongoing public information campaigns — similar to the tobacco reduction ones — in partnership with the health authorities and non-governmental organizations like the Canadian Diabetes Association.

For diabetes patients, committee members thought more work needed to be done to raise the profile of the patient self-management training program, noting that some of their constituents could benefit from this program if they became aware of its existence. The executive director of chronic disease management explained that the information is available through physicians and patients can self refer by contacting their health authority. She also reported that the ministry has instigated group patient visits, due to the long waiting list for both the diabetes education centres and the training programs.

There was also discussion of inexpensive ways to help the public self-identify the early stages of diabetes. One committee member, for example, suggested making glucose strip testing available in drug stores as an additional screening tool, using pharmacists to assess the results. In response, the Deputy Minister suggested that training people to calculate their own body mass index is a better tool for detecting type 2 diabetes than a blood glucose test and a much less costly remedy.

Ministry Approach

While the Committee supported the ministry's comprehensive chronic disease management strategy, some Members felt that diabetes, to some degree, is a stand-alone issue because of the other health problems that flow from this condition. They suggested that more emphasis needed to be placed on diabetes management at the primary care level. In response, the Deputy Minister reported that the ministry's collective agreement with the British Columbia Medical Association is being used as a mechanism to improve the quality of patient care. Elements of the agreement include the $70 million set aside for chronic disease management; and the new professional quality improvement days involving the health authorities and primary care practitioners.

The Committee asked, too, about the steps taken to identify gaps in care and services provided by the health authorities, particularly for the at-risk groups, such as First Nations and visible minorities. In response, the Deputy Minister of Health Services explained that the ministry was in the process of improving the quality of disease-surveillance data collection and developing specific strategies for the at-risk groups.

Members also commented on the focus of the ministry's presentation to the Committee, observing that it concentrated on secondary prevention and the management and treatment of chronic diseases at the expense of primary prevention of type 2 diabetes, the focus of the Auditor General's report. They sought clarification on whether the Ministry of Health Services would be the provincial lead agency, given the emphasis on the need for a cross-government approach to chronic disease prevention and management. The Deputy Minister explained that the ministry's role is to facilitate prevention strategies involving other levels of government and to take a leadership role on matters that fall within the ministry's mandate.

Medical Coverage for Diabetes Patients

Another line of inquiry focused on the need to maintain funding for medical procedures and tests affecting at-risk patients. Members asked for clarification on whether drug-eluding stents for diabetic patients undergoing angioplasties were covered under the Medical Services Plan, and what the impact of de-insuring regular eye exams has been on people suffering from diabetes. In both cases, they received assurance from the Deputy Minister that coverage was available.

Committee Recommendation

The Committee endorses the three recommendations of the Auditor General's 3rd Report for 2004/05, *The Prevention and Management of Diabetes in British Columbia*, and recommends the same to the Legislative Assembly.

AUDITOR GENERAL REPORT NO. 4, 2004/2005

Internal Audit in Health Authorities: A Status Report

The Public Accounts Committee met on January 31, 2005 to consider the Auditor General's report on the status of the internal audit function in health authorities in British Columbia. It heard presentations by the Office of the Auditor General and the Ministry of Health Services.

Background

Summary of Report

The report points out that the Provincial Health Authority and the five regional health authorities together spend about $7.7 billion annually and employ about 96,000 people (March 31, 2004). They are responsible for delivering a comprehensive range of health services to taxpayers.

The report uses the Institute of Internal Auditors' definition of internal auditing — "an independent, objective assurance and consulting activity designed to add value and improve an organization's operations." Internal auditing involves reviewing the reliability and integrity of information, compliance with policies and regulations, the safeguarding of assets, the economical and efficient use of resources, and the operational goals and objectives of the organization.

The purpose of the audit undertaken by the Office of the Auditor General was to evaluate the extent to which health authority boards and management were using internal auditing in carrying out their responsibilities. The examination of the internal audit practices of all six health authorities was carried out between May and July of 2004.

The report concludes that the boards and management of health authorities have recognized the importance of internal audit and have either set up internal audit groups in their authorities or are in the process of doing so. At the time of the audit, the boards of four authorities had working internal audit units in place and had set up good processes to oversee internal audit's activities. In regard to the other two authorities that were in the process of establishing internal audit groups, the audit team concluded that if their boards proceeded on their current path and become fully functional, they will soon be able to serve the boards and the authorities effectively.

The report does not contain any recommendations but it provides a summary of best practices for future use by government organizations that are planning to establish an internal audit function, and by those that already have one.

Summary of Health Authorities' Response

The Chair of the Provincial Health Services Authority responded on behalf of the province's six health authorities. In this written response, he described the report as a "very positive one," adding that the biggest benefit of the report is that it reaffirms the health authorities' commitment to the creation of the internal audit function and provides useful information to guide the continued development of this valuable resource. However, he also reported that the health authorities could not afford full implementation of best practice standards.

Furthermore, they were not convinced that every circumstance warrants following them to the letter, particularly when their overall goal is to be not only cost effective but to avoid unnecessary waste.

Summary of Ministry's Response

At the committee meeting, the Deputy Minister of Strategic Initiatives and Corporate Services in the Ministry of Health Services stated that the report provides a good overview of the progress the health authorities have made in implementing internal audit programs and contains some good advice. He reported that all health authorities have internal audit staff in place, except for the Vancouver Coastal Health Authority, which is using contracted resources until they can recruit their own staff. He then informed the Committee that the internal audit departments of the health authorities are working together, via the health care internal assurance auditors peer group, to make sure that best practices are disseminated quickly.

Committee Inquiry

After hearing from the witnesses, the committee inquiry focused on the following topics: the future use of the recommended best practices and the narrow scope of the audit. Members also asked for clarification on whether internal audits are made public.

Future Use of Best Practices

The Committee asked the witnesses to clarify whether the boards of health authorities are required to use the recommended best practices in setting up an internal audit function. They learned that adoption of the best practices is voluntary, not a legislated requirement. In response to a follow-up question on how to ensure consistency, the Auditor General reported that the six health authorities are beginning to meet and share best practices. The director of the audit team also assured committee members that the health authorities have been very consistent in terms of setting up the internal audit function.

Members also learned from the Deputy Minister that there are no penalties or rewards resulting from the findings of internal audits. They responded by stressing how important it is for the boards of the six health authorities to be accountable for what the internal audits reveal. They also asked the witness to clarify whether the ministry is directing part of the internal audit programs so as to verify the kinds of reporting required for its own accountability framework. After explaining that the boards of the health authorities direct the internal audit departments, the Deputy Minister stated that the ministry provides direction primarily through the performance agreements with the health authorities. He also indicated that the ministry is expecting "much more robust activity" from the internal audit departments in the future.

Scope of Audit

Another line of inquiry focused on the audit's conclusion that the mandates of the health authorities' internal audit groups "address all key areas of operations except clinical risks." In response, the Auditor General explained that as the health authorities were just beginning to set up internal audits, the focus of the examination was on financial management issues and information-gathering rather than clinical practice issues, such as infection control.

Members also learned that the internal audit function could be used in the future as a tool to look at the costs and benefits of contracting out services, including hospital food services and the actual costs of surgical procedures.

One committee member asked whether the audit team found that the health authorities were concerned more about the inputs than the outputs, the results-based outcomes of initiatives. The Auditor General stated that most organizations, including the health system, are having a difficult time coming to grips with identifying outcomes and outputs related to those outcomes.

Committee Recommendation

The Committee accepts the Auditor General's 4th Report for 2004/05, *Internal Audit in the Health Authorities: A Status Report*, and recommends the same to the Legislative Assembly.

AUDITOR GENERAL REPORT NO. 5, 2004/2005

Salmon Forever: An Assessment of the Provincial Role in Sustaining Wild Salmon

The Public Accounts Committee met on January 31, 2005 to consider the Auditor General's report on the province's role in the management of wild salmon. It heard first from the Office of the Auditor General followed by a joint presentation by three ministries: Agriculture, Food and Fisheries; Water, Land and Air Protection; and Sustainable Resource Management.

Background

Summary of Report

Tripartite Project

The report represents a departure from the usual reporting practice. For the examination of wild salmon issues, the offices of the Auditor General of Canada, the Auditor General of New Brunswick and the Auditor General of British Columbia undertook coordinated work. The three offices collaborated because the management of wild salmon and salmon aquaculture is a joint federal-provincial responsibility under the constitutional division of powers.

Each office examined similar issues related to its jurisdiction, carrying out the fieldwork from May to December 2003, and each reported on the same day (October 26, 2004). The reports of the Auditors General of B.C. and Canada addressed wild salmon and aquaculture issues, while the New Brunswick report focuses on aquaculture issues only.

Each report contained the same summary, signed by the three Auditors General and the federal Commissioner for the Environment and Sustainable Development. This common message identified several themes:

- Salmon stocks are under pressure on both coasts.
- The federal government has been struggling since 2000 to finalize a wild salmon policy; and the B.C. government does not have a clear vision or an overarching strategy for wild salmon sustainability.
- Both levels of government have responsibilities related to wild salmon, with the federal government having the senior responsibility. Although many agreements and committees exist, problems with coordinating efforts still exist.
- Each of the three audits found that there are major gaps in knowledge about the potential effects of salmon aquaculture.
- The collaboration of a variety of agencies within each government and between governments is essential, and the respective governments need to take immediate action on the issues.

BC Audit

The audit by the Office of the Auditor General of British Columbia was undertaken due to concerns about the long-term sustainability of wild salmon in the province and the potential impacts of salmon aquaculture. The audit team recognized that while the Department of

Fisheries and Oceans Canada (DFO) has senior responsibility for managing all wild salmon, the province's role in managing the habitat is significant.

The purpose of the audit was to assess whether the province has effective programs in place to ensure the sustainability of wild salmon in British Columbia. The audit team examined how the province protects and restores habitat, and also how it mitigates the potential impacts of salmon aquaculture on wild salmon stocks. It also reviewed how the government accounted for its performance. The audit focused on the four ministries and two provincial agencies responsible for habitat and fish protection, as well as for land and resource management activities that can impact wild salmon.

The report concludes that the province needs to be more aggressive if it is to ensure the future sustainability of wild salmon. The absence of a clear provincial vision, the lack of an overarching strategy for wild salmon sustainability and the absence of strong leadership have prevented the establishment of a coordinated program. In addition, existing provincial legislation and regulations do not provide adequate protection for salmon habitat because some key provisions are either not in force or not being acted upon.

In regard to salmon aquaculture, the report concludes that although aquaculture impacts on the environment and wild salmon are recognized and addressed, there is a need to address the priority knowledge gaps associated with the interactions between wild salmon stocks and aquaculture operations, particularly around issues of fish health and cumulative effects. Finally, the audit found that provincial ministries and agencies are providing limited accountability to legislators and the public on their progress in sustaining wild salmon

The report contains 14 recommendations for improving the provincial role in regulating salmon habitat. One key recommendation is that the provincial government, in conjunction with Fisheries and Oceans Canada develop a clear vision, with goals and objectives for sustaining wild salmon, and jointly provide the direction of public policy on the questions of what is an acceptable risk to salmon habitat and what is an acceptable loss of salmon runs. As well, the report recommends that the provincial government identify a lead provincial agency to coordinate efforts for sustaining wild salmon and ensure that its compliance and enforcement programs are adequately maintained.

Summary of Government's Response

The government's written response to the report's key findings and recommendations represented the collective views of three ministries — Agriculture, Food and Fisheries; Water, Land and Air Protection; and Sustainable Resource Management. The Cabinet Committee on Environment and Resource Development also reviewed the response prior to it being submitted.

The ministries appreciated that the report recognizes the jurisdictional complexity in managing wild salmon stocks to ensure their sustainability. They also recognized the important role that provincial policies and programs for land use and resource management have on the sustainability of wild salmon and welcomed the audit as a means of assessing their effectiveness.

The provincial government accepted the report's key finding that a clear vision is an essential foundation for wild salmon sustainability, but also noted that this must be a shared vision

among all stakeholders. To develop a clear vision, a priority for the provincial government is to work more closely with Fisheries and Oceans Canada and other federal agencies to increase the province's influence over federal policy and the management of Pacific fisheries. The Ministry of Agriculture, Food and Fisheries MAFF) has been designated as the lead provincial agency to pursue the development of a common vision with the government of Canada — via the new Pacific Council of Fisheries and Aquaculture Ministers (PCFAM). The province also intends to use the PCFAM as the mechanism to develop a monitoring system and indicators to measure and report progress on wild salmon sustainability.

Regarding provincial activities to protect and restore salmon habitat, the ministries indicated that in the long term, the existing broad approaches used to manage the land and water base should be effective mechanisms for protecting and sustaining salmon, and that they will serve as the basis for interaction with federal policy and program frameworks.

Concerning the findings of the salmon aquaculture component of the audit, the Ministry of Agriculture, Food and Fisheries recognized that there remain issues associated with management of salmon aquaculture. Besides committing resources to continue to explore these issues, the ministry has also committed significant resources to research activities.

Committee Inquiry

After hearing from the witnesses, the committee inquiry focused on the following topics: the potential impacts of salmon aquaculture, the management of fish habitat and the challenges posed by overlapping jurisdiction. Individual Members also asked questions about New Brunswick's experience with DFO salmon aquaculture management practices; the respective roles of the PCFAM and the Pacific Salmon Forum; the number and role of hatcheries; the new riparian area regulation; and the gaps in scientific knowledge relating to salmon aquaculture.

Salmon Aquaculture Impacts

The first part of the committee inquiry focused on the salmon aquaculture component of the audit. Members were particularly interested in the question of whether salmon farms give sea lice a home base over the winter that they would otherwise not have. In response, the Assistant Deputy Minister (ADM) from the MAFF explained that while salmon farms can provide some alternate hosts for sea lice, both wild and farm salmon stocks can be harbourers of sea lice year round. The ministry monitors sea lice levels on the farms and tries to reduce them to a minimum during the out-migration of juvenile salmon in the spring. In response to a question about the lice-fish ratio, the ADM reported that the federal DFO and the province have not been able to show that sea lice are causing a decline in wild Pacific salmon populations. He also noted that no wild salmon populations have seen deleterious effects from aquaculture practices in B.C.

Members also asked a series of questions concerning research conducted on the survival and colonization of farmed Atlantic salmon in the coastal waters of British Columbia. In response, the ADM stated that there is a "very low likelihood" of colonization and hybridization of Atlantic salmon in B.C.'s coastal waters. The risk of colonization is further reduced through stringent escape management and the province's model regulatory program. Although there are some indications that Atlantic salmon spawned and that eggs have developed to the

juvenile stage, there is no evidence of sustainable populations. In addition, the witness said that as farmed stocks of Atlantic salmon in B.C. are a domesticated strain of animals, it is very unlikely that they would be able to out-compete a wild animal for resources.

Fish Habitat Management

As the Auditor General's report examined issues relevant to the protection and restoration of wild salmon habitat, another line of inquiry focused on whether appropriate regulatory regimes are in place to ensure viable habitats for wild salmon. The ministry witnesses were asked to provide an overview of the results-based approaches to riparian areas management promoted by both the DFO and the province and the implications for community-based stream stewardship in salmon habitat restoration.

An official from the Ministry of Water, Land and Air Protection (MWLAP) reported that the federal and provincial governments have worked collaboratively under a memorandum of understanding signed in 2000 to harmonize results-based approaches to fish habitat management. This cooperation has produced guidelines for urban-rural development, agricultural development and for habitat protection in active logging areas.

With respect to community involvement in stream restoration work, another MWLAP official stated that ongoing support for community stewardship programs would remain an important component of the strategy for stream protection. At present, an advisory group is responsible for administering the Living Rivers Trust Fund. Although the number of community-based restoration projects has yet to be determined, community groups affiliated with the Pacific Salmon Foundation and other organizations will likely be able to access the Trust Fund.

While on the topic of salmon habitat, committee members raised concerns that DFO policies on the removal of gravel from salmon-bearing streams have been overly restrictive. Some cited the recent concessions made by the DFO relating to flood mitigation strategies as a positive development; however, others expressed frustration that the gravel removal plans did not extend to tributaries of the Fraser River, as siltation causes flooding of homes as well as severe degradation of salmon habitat.

The Committee learned that a five-year gravel removal agreement has been reached between the DFO and Land and Water BC. This agreement establishes a risk management framework that permits a narrow season in which gravel may be removed. The ADM for the MAFF reported that the agreement only applies to the Fraser River, and that the appropriate levels of gravel removal for Fraser River tributaries require further negotiations.

Jurisdictional Challenges

Recognizing the jurisdictional complexity of shared responsibility for the management of wild salmon stocks, the Committee was interested in the province's relationship with the federal DFO. Members referred to the challenge of securing DFO approval to move some of the fish-farm sites to better locations and asked whether the new structure for coordination would resolve the issue. The ADM in the MAFF reported that the ministry is making good progress at harmonizing its approach with the federal DFO in regard to the renewal of aquaculture licences

Another concern of committee members related to the impact of the conflict between the commercial and aboriginal fishers on wild salmon stock. In response, the ADM explained that the responsibility for the management of the fishery, including stock assessment and catch monitoring, lies with the federal DFO. He also informed the Committee that the federal post-season review of the 2004 Fraser River sockeye fishery, chaired by former B.C. Chief Justice Bryan Williams, is looking at issues associated with illegal fishing and removals. The province is monitoring this process and keeping a watching brief on what transpires.

The ADM's response prompted committee members to ask for further clarification on how the dynamic works between the province and the federal DFO. The witness explained that in an area of overlapping constitutional jurisdiction, the federal government is responsible for all seacoast and inland fisheries, under the *Fisheries Act*. Through a federal regulation, the Ministry of Water, Land and Air Protection regulates freshwater angling in the province. As fisheries makes a significant economic contribution, the Ministry of Agriculture, Food and Fisheries provides information on provincial objectives and expresses the province's views relating to marine fisheries management.

Finally, after learning that none of the three audits in the tripartite project looked at the impact of commercial fishing (both legal and illegal) on wild salmon stock, the Committee suggested to the Auditor General that the issue of overfishing be addressed in the project's follow-up report.

Committee Recommendation

The Committee endorses the 14 recommendations of the Auditor General's 5th Report for 2004/05, *Salmon Forever: An Assessment of the Provincial Role in Sustaining Wild Salmon*, and recommends the same to the Legislative Assembly.

FOLLOW-UP REPORTS

Office of the Auditor General

February 9, 2004 Meeting

- *Second Follow-up Report on Managing Interface Fire Risks* (June 2001)

  At the meeting on February 9, 2004, the Public Accounts Committee continued its deliberations on this second follow-up report, which began at the November 13, 2003 meeting. It received updates from the Office of the Auditor General, the Ministry of Forests, the Office of the Fire Commissioner and the Provincial Emergency Program on the progress made in implementing the recommendations relating to the management of interface fire risks.

  The Committee endorsed the Auditor General's plan to carry out another follow up on the eight recommendations that were only partially implemented.

- *Second Follow-up Report on Transportation in Greater Vancouver: A Review of Agreements Between the Province and TransLink, and of Translink's Governance Structure* (August 2001)

  The Committee heard presentations from the Office of the Auditor General, TransLink and the Ministry of Transportation regarding the status of the original recommendations. The Auditor General reported that six of the 24 original recommendations have been fully implemented, and that the remaining 18, which relate to TransLink's governance structure, were still in the process of being implemented. The Office of the Auditor General therefore planned to carry out a further review once the Committee has addressed the second follow-up report.

  The Committee accepted the report and endorsed the Auditor General's plan to carry out another follow-up review.

Office of the Comptroller General

October 20, 2004 Meeting

- *Follow-up Review of the Auditor General's 2003 Audit of the MVS Platform* (2003)

  On January 21, 2004, the Committee learned that the Office of the Auditor General did not plan to conduct a follow up on its audit of the Multiple Virtual Storage platform that supports many of the provincial government's financial and operating systems. The Comptroller General therefore offered to do a follow-up review, using his office's internal audit and advisory services branch.

  The branch's report on the actions taken to implement the 24 recommendations was distributed on August 11, 2004. It concluded that the Ministry of Management Services has reasonably addressed 23 of the audit findings. Due to the complexity of the outstanding recommendation (management review of security access privileges), the ministry planned to address this area by September 30, 2004. However, on October 20th, committee members were informed that the date for the initial implementation of the solution had been extended to the end of October, with complete administrative processes in place in November.

AUDITOR GENERAL REPORT, NOVEMBER 2004

Financial Statement Audit Coverage Plan for Fiscal Years 2005/06 through 2007/08

Each year the Auditor General provides the Public Accounts Committee with a plan for the appointment of auditors for government organizations and trust funds for the following three years. At the meeting on November 22, 2004, the Public Accounts Committee conducted its second annual review of the Auditor General's audit coverage plan, pursuant to sections 10(6), 10(9) and 14 of the *Auditor General Act*.

Summary of Proposed Plan

The Auditor General asked the Committee to approve three key components of the plan:

- The proposed changes in previously planned audit coverage for nine different organizations for the fiscal years 2004/05 through 2006/07.
- The office's proposal to be the direct financial statement auditor in the next three fiscal years for 24 of the 153 organizations and trust funds expected to be in the government reporting entity in 2005/06, with other auditors auditing the remaining 129 government organizations.
- The office's administration of the auditor appointment process.

The Auditor General updated the Committee on the audits it had approved last year of two organizations that are not part of the government reporting entity. He reported that the three-year audit plan for the Workers Compensation Board is on track; however, the audit arrangement made with the BC Investment Management Corporation was being re-examined, because his office has less overall capacity due to reduced funding and loss of experienced staff.

Committee Review

Members asked for clarification of the status of audit coverage of two other organizations outside the government reporting entity: RAV Project Management Ltd — the company overseeing the Richmond-Airport-Vancouver rapid transit line project for TransLink — and the Vancouver Organizing Committee for the Olympic Games. As well, a question was asked about the planned audit of BC Transit, which is part of the reporting entity.

Another line of inquiry focused on the meaning of the selection criteria used by the Office of the Auditor General to determine its own level of involvement in the audit process, especially the criterion identifying government organizations that "develop a core service or have a significant public policy role." (Plan, page 3) After learning that school districts are examples of organizations providing core services to government, the witnesses were asked to explain their rationale for choosing to audit some school districts and not others.

The Committee also asked questions about the implications of the proposed audit coverage plan on the budget of the Office of the Auditor General. They learned that it would have a minimal impact as the office planned to charge for financial statement audit services to the lower of full cost recovery or market rate. The Auditor General also reported that financial statement auditing represented 45 percent of his office's overall workload. In response, some

committee members asked a follow-up question about the office's relationship with private sector auditors.

Committee Decisions

The Committee approved the changes from the previously approved plan for the fiscal years 2004/05 through 2006/07 as identified in Appendix A of the report.

The Committee approved the Auditor General's financial statement audit coverage plan for the fiscal year 2007/08 as presented in Appendix B of the report.

The Committee directed the Auditor General to continue to administer the auditor appointment process as described in the report.

OTHER MATTERS: RETENTION AND DISPOSAL OF GOVERNMENT RECORDS

In accordance with section 3 of the *Document Disposal Act*, the Public Documents Committee (PDC) submits each year to the Public Accounts Committee a copy of each of the records retention and disposal authorities it has recommended for approval by the Legislative Assembly. At the meeting on May 4, 2004, the PDC Chair briefed committee member on their role in the process of regulating the retention and final disposition of government records.

On November 22, 2004, the PDC Chair presented the Committee with 24 resolutions identifying the records retention and disposal authorities for its consideration and approval. After hearing from the witness, committee members asked for clarification about resolutions Nos. 17, 23 and 24, and about the process of converting written records into an electronic format.

Committee Recommendations

The Committee recommends to the Legislative Assembly acceptance of the following resolutions relating to the retention and disposal of government records:

1. That the management of the retention and final disposition of the operational records of the British Columbia Securities Commission be in accordance with the records schedules, standards, and guidelines described in the BC Securities Commission Operational Records Classification System.

2. That the management of the retention and final disposition of the operational records of the Heritage Branch, Ministry of Community, Aboriginal and Women's Services, be in accordance with the records schedules, standards, and guidelines described in the *Heritage Conservation Operational Records Classification System*.

3. That the management of the retention and final disposition of the operational records of the Local Government Department, Ministry of Community, Aboriginal and Women's Services, be in accordance with the records schedules, standards, and guidelines described in the *Local Government Services Operational Records Classification System*, as amended.

4. That the management of the retention and final disposition of the operational records of the Public Library Services Branch, Ministry of Community, Aboriginal and Women's Services, be in accordance with the records schedules, standards, and guidelines described in the *Library Services Operational Records Classification System*, as amended.

5. That the management of the retention and final disposition of the operational records of the Women's Services and Child Care Department, Ministry of Community, Aboriginal and Women's Services, be in accordance with the records schedules, standards, and guidelines described in the *Women's Equality Operational Records Classification System*, as amended.

6. That the management of the retention and final disposition of the operational records of the Office of the Comptroller General, Ministry of Finance, be in accordance with the records schedules, standards, and guidelines described in the *Office of the Comptroller General Operational Records Classification System,* as amended.

7. That the management of the retention and final disposition of the operational records of the Medical Services Plan, Ministry of Health Services, be in accordance with the records schedules, standards, and guidelines described in the *Medical Services Plan Operational Records Classification System.*

8. That the management of the retention and final disposition of the operational records of the Mental Health and Addictions Branch, Ministry of Health Services, be in accordance with the records schedules, standards, and guidelines described in the *Adult Mental Health Services Operational Records Classification System*, as amended.

9. That the management of the retention and final disposition of the operational records of the Performance Management and Improvement Division, Ministry of Health Services, be in accordance with the records schedules, standards, and guidelines described in the *Health Authority Performance Management Operational Records Classification System.*

10. That the management of the retention and final disposition of the operational records of the Ministry of Human Resources, be in accordance with the records schedules, standards, and guidelines described in the *Social Services Operational Records Classification System*

11. That the management of the retention and final disposition of the operational records of the Appeals Branch, Ministry of Provincial Revenue, be in accordance with the records schedules, standards, and guidelines described in the *Taxation Revenue Appeals Operational Records Classification System.*

12. That the management of the retention and final disposition of the operational records of the Consumer Taxation Branch, Ministry of Provincial Revenue, be in accordance with the records schedules, standards, and guidelines described in the *Consumer Taxation Operational Records Classification System.*

13. That the management of the retention and final disposition of the operational records of the Income Taxation Branch, Ministry of Provincial Revenue, be in accordance with the records schedules, standards, and guidelines described in the *Income Taxation Operational Records Classification System.*

14. That the management of the retention and final disposition of the operational records of the Mineral, Oil and Gas Revenue Branch, Ministry of Provincial Revenue, be in accordance with the records schedules, standards, and guidelines described in the *Mineral, Oil and Gas Revenue Operational Records Classification System.*

15. That the management of the retention and final disposition of the operational records of the Property Taxation Branch, Ministry of Provincial Revenue, be in accordance with the records schedules, standards, and guidelines described in the *Property Taxation Operational Records Classification System.*

16. That the management of the retention and final disposition of the operational records of the Taxation Revenue Collections Branch, Ministry of Provincial Revenue, be in accordance with the records schedules, standards, and guidelines described in the *Taxation Revenue Collections Operational Records Classification System.*

17. That the management of the retention and final disposition of the operational records of the British Columbia Olympic Games Secretariat, Ministry of Small Business and Economic Development, be in accordance with the records schedules, standards, and guidelines described in the *Community Initiative and Olympic Bid Operational Records Classification System.*

18. That the management of the retention and final disposition of the operational records of the Sport Branch, Ministry of Small Business and Economic Development, be in accordance with the records schedules, standards, and guidelines described in the *Sport and Physical Activity Services Operational Records Classification System.*

19. That the management of the retention and final disposition of the operational records of the Resource Management Division, Ministry of Sustainable Resource Management, be in accordance with the records schedules, standards, and guidelines described in the *Resource Management Operational Records Classification System.*

20. That the management of the retention and final disposition of the operational records of the former British Columbia Ferry Corporation be in accordance with the records schedules, standards, and guidelines described in the *BC Ferries Operational Records Classification System.*

21. That the management of the retention and final disposition of the operational records of the Oil and Gas Commission be in accordance with the records schedules, standards, and guidelines described in the *Oil and Gas Commission Operational Records Classification System.*

22. That the management of the retention and final disposition of the operational records of the Royal British Columbia Museum Corporation be in accordance with the records schedules, standards, and guidelines described in the *Museum Operational Records Classification System.*

23. That the management of the retention and final disposition of the operational records of Tourism BC be in accordance with the records schedules, standards, and guidelines described in the *Tourism British Columbia Operational Records Classification System.*

24. That the management of the retention and final disposition of records created and received by Community Grants, Ministry of Community, Aboriginal and Women's Services, be managed in accordance with the *Community Grant Files Ongoing Records Schedule*, as amended.

DOCUMENTS DISTRIBUTED

February 9, 2004 Meeting

Office of the Auditor General of British Columbia, Information provided to the Select Standing Committee on Public Accounts regarding the second follow-up of recommendations in 2001/2002 Report 1: Management of Interface Fire Risks, November 2003.

Office of the Auditor General of British Columbia, Follow-up Review of Transportation in Greater Vancouver, February 9, 2004.

Ministry of Transportation, Summary of Status of Implementation by Recommendation, 2001/02 Report 2: Transportation in Greater Vancouver, November 6, 2003.

Office of the Auditor General of British Columbia, OAG Review of MOHS Alternative Payments Program, February 9, 2004.

Ministry of Health Services, Alternative Payments to Physicians: Practical Realities, February 9, 2004.

Office of the Auditor General of British Columbia, Summary of *Monitoring the Government's Finances*, February 9, 2004.

Ministry of Finance, Presentation Re OAG Report: *Monitoring the Government's Finances*, February 9, 2004.

Follow-up Correspondence from Arn van Iersel, Comptroller General to Jenny Kwan, Chair and Bill Bennett, Vice-Chair, Select Standing Committee on Public Accounts, February 10, 2004.

Correspondence Relating to Nanaimo Doctors' Dispute, February 23, 2004; April 30, 2004; May 6, 2004; May 13, 2004; September 14, 2004; September 2004.

May 4, 2004 Meeting

Correspondence from Wayne Strelioff, Auditor General to Members of the Select Standing Committee on Public Accounts, April 6, 2004.

Correspondence from Lorne Mayencourt, MLA to the Chair, Deputy Chair and Clerk, May 4, 2004.

Correspondence from Arn van Iersel, Comptroller General to Jenny Kwan, Chair, Public Accounts Committee, May 12, 2004.

October 20, 2004 Meeting

Office of the Auditor General of British Columbia, Presentation Re Disability Assistance Eligibility Review, October 20, 2004.

Ministry of Human Resources, Presentation to the Select Standing Committee on Public Accounts, October 20, 2004.

Follow-up Correspondence from Arn van Iersel, Comptroller General to Jenny Kwan, Chair, Select Standing Committee on Public Accounts, January 6, 2005.

Correspondence from BC Coalition of People with Disabilities to Craig James, Office of the Clerk of Committees, October 24, 2004.

Office of the Comptroller General, Presentation to the Public Accounts Committee Re Follow-up Review of the Auditor General's 2003 Audit of MVS Platform Report, October 20, 2004.

Office of the Comptroller General, Final Report Re Follow-up Review of the 2003 BC Office of the Auditor General's Audit of the MVS Platform, August 11, 2004.

November 22, 2004 Meeting

Office of the Auditor General of British Columbia, Presentation Re *In Sickness and In Health* Report, November 22, 2004.

Ministry of Health Services, Presentation Re Office of the Auditor General of BC Report on Healthy Workplaces, November 22, 2004.

Follow-up Correspondence from Wayne Strelioff, Auditor General to Jenny Kwan, MLA, Chair, Select Standing Committee on Public Accounts, January 24, 2005.

Correspondence from Wayne Strelioff, Auditor General to Mr. Peter Dhillon, Chair, Audit Committee, Vancouver Organizing Committee for the 2010 Olympics and Paralympic Winter Games, June 29, 2004; and Copy of Mr. Dhillon's Reply, August 3,2004.

Public Documents Committee, Resolutions for Records Retention and Disposal Authorities tabled on 22 November 2004 before the Public Accounts Committee.

January 31, 2005 Meeting

Office of the Auditor General of British Columbia, Presentation Re *Preventing and Managing Diabetes in British Columbia* Report, January 31, 2005.

Ministry of Health Services, Presentation Re Diabetes Management and Prevention in BC, January 31, 2005.

Office of the Auditor General of British Columbia, Presentation Re *Internal Audit in Health Authorities: A Status Report*, January 31, 2005.

Ministry of Health Services Response Presented to Public Accounts Committee by David Woodward, Deputy Minister, Strategic Initiatives and Corporate Services, January 31, 2005.

Office of the Auditor General of British Columbia, Presentation re *Salmon Forever* Report, January 31, 2005.

Provincial Government Response to BC Auditor General's *Salmon Forever* Report, January 2005.